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SUBJECT: WEEKA NO. 22 - ECONOMIC SECTION

DECLASSIFICATION DATE 11/30/78 PER Chrmm OFFICE ARA

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SECTION II

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Taking cognizance of recurrent talk about an urban property reform law which arose in connection with the problem of rent control, the Arbenz Administration this week reiterated its earlier opposition to disturbing existing urban property holdings and issued a statement rejecting a suggestion made by Sr. Fernando DE LEON Porras, a pro-Government Deputy, for an urban reform law similar to the Agrarian Reform Law. Communist deputies had sought to capitalize on the prevailing discontent over housing deficiencies and high rents by suggesting to a group of tenants who demonstrated in Congress that they organize a "Tenants' League" for their protection under the guidance of the General Labor Confederation, CGTG.

The meetings of the Mixed Commission supervising the May 1952 Guatemala-El Salvador Trade Treaty ended with no additions to the free list and there were signs of possible impediments to future expansion of bilateral trade. The Guatemalan Ministry of Foreign Relations indicated that resumption of formal commercial relations with West Germany was contemplated with the exchange of consular representatives. Col. Tomás LETONA, Director General of Civil Aviation, privately confirmed press reports that KLM and Aereolineas Argentinas had applied for permission to operate in Guatemala.

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Urban Rental Law

DEPARTMENT OF STATE RECEIVED JUL 1 1953

Following a public demonstration in Congress demanding action to control rents in Guatemala City, Deputy Fernando

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de Leon Porras of the leftist pro-Administration party Renovación Nacional, stated that the only way to solve the rent problem was to pass an urban reform law similar in spirit to the Agrarian Reform Law. However, that suggestion was opposed by Communist Deputy Carlos Manuel PELLECER, who said that what was needed was a tenants' organization to fight the homeowners and not a complicated act which would add to the Government's administrative burden. Pro-Communist Deputy Julio ESTRADA de la Hoz had previously announced that he would soon present a bill penalizing property owners who charged more than the legal maximum rent. His bill would provide that tenants would be allowed credits towards future rent equal to ten times the over-payment. He said that the "Revolutionary" deputies were determined to stop the abuses of the rich property owners. He endorsed the proposal advanced by Communist Deputy José Alberto CARDOZA that the tenants organize their campaign under the leadership of the General Labor Confederation, CGTG.

On the same day, Sr. Gregorio PREM Beteta, Minister of Finance, told the press that the Government did not want an urban reform law, and three days later the publicity office of the President issued a bulletin strongly reaffirming Sr. Prem's position but supporting a stronger urban rental law. In his March 1, 1953 message to Congress (WEEKA No. 10) and on other occasions President ARBENZ had given public assurance that his administration had no intention of expropriating urban and industrial property.

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The abuses of the 1948 maximum rent law have occurred principally in connection with low and medium cost housing and are due to an acute shortage in that field. The Government has completed several low-cost housing projects but does not have a program adequate to the needs. No action has been taken on the August 1952 recommendations of the National Housing Commission appointed by President Arbenz, and the shortage is not likely to be alleviated in the foreseeable future, in part because of the Government's preoccupation with other aspects of its economic development program. Private builders have never entered the low-cost field because the low income of most laborers makes it impossible for them to pay rent on minimum standard housing.

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Guatemala

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Guatemala-El Salvador Trade Treaty

The discussions with the Salvadoran members of the Mixed Commission supervising the May 1952 Guatemala-El Salvador Trade Treaty (WEEKA No. 21) came to an end this week with no tangible results. Sr. Efrain CASTILLO, a Guatemalan member of the Commission, announced a list of articles which had been approved for possible inclusion in the treaty but said that further action had been postponed until the next meeting, scheduled for San Salvador on June 29.

Trade between the two countries has increased since ratification of the treaty but press reports indicated possible hindrances to further expansion. The semi-official Nuestro Diario stated that because of the urgent requirements of its highway and public works program Guatemala might be forced to restrict its exports of cement, which represented 20 percent of the value of all exports to El Salvador under the treaty in 1952; and manufacturers and workers in the hat and footwear industries told the Ministry of Economy that they strongly opposed the inclusion of their products on the list announced by Sr. Castillo as the Guatemalan market was well supplied by domestic production and competition from El Salvador would aggravate their already critical situation.

Commercial Relations with Germany

The Guatemalan Ministry of Foreign Relations has announced that formal commercial relations with West Germany will soon be re-established with the opening of a Consulate in Hamburg and a German Consulate in Guatemala. The Ministry stated that Dr. Eugen KLEE, German Minister to El Salvador, had been instructed by his Government to initiate conversations and that arrangements would be made promptly in view of the traditional importance of trade between the two countries.

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Although the Guatemalan Government has continued to delay the renewal of diplomatic relations with Germany due principally to apprehension that Germany might enter claims based on Guatemala's expropriation procedures under wartime laws, bilateral trade has been increasing rapidly, reaching $5,935,000 in 1952 compared with $878,000 in 1949.

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Foreign Airlines

Col. Tomás Letona, Director General of Civil Aviation, privately confirmed recent press reports that KLM and Aereolineas Argentinas were seeking permission to operate in Guatemala but said he knew nothing about a story that Eastern Airlines had also expressed interest. Several newspapers had stated or implied that the KLM and Aereolineas Argentinas applications had already been approved, but Col. Letona said they were under study in his office and no decision had been made. There are now two international airlines, Pan American and TACA, serving Guatemala and present economic conditions would hardly seem to warrant additional operations.

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R E Schoenfeld
Rudolf E. Schoenfeld

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